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ABSTRACT

Issues of federal-state-institutional relations are moving to the center of attention of policymakers concerned with postsecondary education. One reason for the shift is that the Higher Education Amendments of 1972, which contained a number of important measures bearing on these relations, will be subject to revision and renewal in the current session of Congress. While the states still play an extremely important role and institutions are at the center of the higher education enterprise, federal policies and federal funds are shaping the future of American postsecondary education. Section 1 reviews the historical evolution of the federal state relations. Section 2 summarizes alternative ways for handling postsecondary programs and relationships with institutions, the states, and the federal government. Section 3 presents a proposal for a federal-state-institutional partnership on postsecondary education and summarizes the current national concerns-that place the federal government in a preeminent position with respect to education. Section 4 discusses state and institutional administrative and fiscal capabilities. Section 5 notes on-going research relevant to the subject of the paper, and a bibliography and list of persons interviewed are appended. (Author/PG)

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FEDERAL - STATE - INSTITUTIONAL RELATIONS IN POSTSECONDARY EDUCATION

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Federal - State - Institutional Relations

in Postsecondary Education

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Abstract

Issues of federal-state-institutional relations are moving to the center of attention of policymakers concerned with postsecondary education. One reason for the shift is that the Higher Education Amendments of 1972, which contained a number of important measures bearing on these relations, will be subject to revision and renewal in the current session of Congress.

Since the early days of the Republic, the federal government has played a significant role in stimulating the states to establish institutions of higher education. But, for most of the period before World War II, state and private responsibilities for higher education were dominant and direct federal involvement limited. In the early 1950s, however, the situation altered and an elaborate network of federal programs, primarily of a research nature, was developed directly with institutions. Under the Higher Education Facilities Act of 1963, the Higher Education Act of 1965, and the 1972 Amendments, an extensive pattern of federal-state-institutional relationships began to unfold. Federal policies are also having an impact on the states and most postsecondary institutions in a variety of other ways.

The consequence of these developments, which represents a major change in traditional responsibilities and relationships, is a preeminence on the part of the federal government. While states still play an extremely important role and institutions are at the center of the enterprise, federal policies and federal funds are shaping the future of American postsecondary education.

Some still argue that the federal role must be kept minimal; others maintain that the federal government should work directly with individual institutions. But a growing body of knowledgeable opinion urges a partnership among states, institutions and federal government, under federal leadership. This is essential since neither states nor institutions are presently able to provide leadership to address societal needs and aspirations. The nature of the partnership concept is outlined and the case for federal leadership in achieving this partnership is summarized.

An aspect of partnership to which the federal government will need to pay special attention is the varying administrative and fiscal capabilities of the states and of institutions. Fortunately, some of the means for doing this are already in place (e.g., the Intergovernmental Personnel Act of 1970 and the State and Local Fiscal Assistance Act of 1972). Many recent studies of the financial status of institutions are also useful in this connection.

A number of suggestions are offered regarding research which may develop an understanding of federal-state-institutional relations and further the partnership concept.

Introduction

That issues of federal-state relations are viewed at this moment by many policy-makers concerned with postsecondary education as central to the growth of a well-ordered national system is hardly surprising. Until the end of World War II the federal government's concern with higher education was expressed primarily through the Morrill and related acts. Between 1950 and the early 70s, the federal government moved into a central role with regard to postsecondary education, both from a policy viewpoint and in terms of dollar support. This occurred when federal officials realized that the nation's well-being demanded certain measures (e.g., the support of fundamental research) and that the rising egalitarianism in American society mandated access to higher learning.

Many recent federal policies have affected the states in their dealings with institutions of higher education. Some have involved direct federal-institutional relationships or direct relationships with students. One federal provision has put broad planning and coordinating responsibilities for postsecondary education in state hands, but under a formula seemingly too inflexible to account for the great diversity of practices and capabilities among the states. Another federal provision has attempted to stimulate the states to offer more student aid. There is widespread interest as to whether the federal government will be able to induce the states to rescue the private sector of postsecondary education from its deep financial crises.

In viewing federal legislation, particularly since the Higher Education Act of 1965, it seems fair to say that lack of a clearly articulated stance vis-a-vis the states has led to considerable uncertainty and confusion. At times the federal government appears prepared to work directly with students and institutions. At times it appears to want the states to play a dominant or major role. On other occasions federal policy seems designed to exorcise the states and rely on federal-regional organization as the desirable "field" approach.

Issues of federal-state relations in postsecondary education are currently prominent in Washington because of the impending revisions of the Higher Education Amendments of 1972. The hearings before the Special Subcommittee on Education of the House Committee on Education and Labor, held during the spring and summer of 1974, were replete with suggestions as to how the federal government should administer its student assistance programs: through the states, to students directly, or through educational institutions.

The Department of Health, Education and Welfare and the U. S. Office of Education sponsored conferences in 1974 to look at federal-institutional relationships and federal-state relationships in student assistance. A final report issued on September 30th consolidated the findings of the two conferences and offered detailed recommendations on specific accommodations which could be agreed upon as desirable federal policy by both the institutions and the states.

There will undoubtedly be other hearings in the months ahead. House and Senate committees responsible for preparing the revisions of the 1972 Amendments will be offered a variety of proposals for modifying existing administrative arrangements in order to play up or play down the role of the states. The Department of Health, Education, and Welfare and, in particular, the Assistant Secretary for Education will be expected to offer specific proposals and to react to those arising from the Office of Education, other federal agencies, and congressional committees. All of this "immediate" business must be carried on. It seems certain that it could move forward more coherently were there a defined position with regard to federal-state relations in postsecondary education.

The purpose of this paper is to propose such a position for the consideration of the Assistant Secretary for Education. While it is our view that a persuasive and widely supported case for the proposed position exists, it would be illusory to suppose that a consensus and a departmental position will emerge immediately. Considerable discussion and debate are probably needed.

It is not our intention to address specific matters related to the revision of the 1972 Amendments in this paper. Those issues will need to be worked through by the various protagonists for the differing policy questions and administrative alternatives which will be considered by the executive and legislative branches as the 1972 Amendments are revised. Possibly, additional legislation presenting administrative alternatives relating to postsecondary education will also be introduced.

Our objective is to develop as fully as possible in a short paper the background and rationale for a federal position on federal-state relations in postsecondary education and to indicate some of the problems and possible next steps which the proposed position implies. To this end we review in Section I the historical evolution of these relations.

Section II summarizes alternative ways recommended or considered for handling postsecondary programs and relationships with institutions, the states, and the federal government. The positions taken on federal-state relations by several study groups and individuals in recent reports, are reviewed in this section.

Section III presents a proposal for a federal-state-institutional partnership in postsecondary education and summarizes the current national concerns which place the federal government in a preeminent position with respect to that level of education.

Section IV discusses state and institutional administrative and fiscal capabilities which have implications for federal policies under the partnership proposal.

Section V notes on-going research relevant to the subject of this paper and suggests a few areas of research which might be addressed in the future.

A bibliography and list of persons interviewed in connection with this paper are appended.

In the preparation of the paper, valuable advice was provided by those who were interviewed. Their judgments and experience contributed substantially to the views presented. However, in sum, the report is the responsibility of the authors. Special appreciation goes to Nancy B. Freeman for editorial advice and to Patricia Bean for stenographic assistance.

Section I

Historical Background of Federal-State Relations

The earliest federal land-grants for higher education were in the Northwest Territory, the region between the Appalachians and the Mississippi, north of the Ohio River. A group of New Englanders who bought land in the Territory formed the Ohio Company and sold stock on the open market. In 1787, a delegation was sent to Congress to negotiate for the sale of land. The company felt strongly that provisions for schools and churches would enhance the attractiveness of the Territory and a hard bargain was driven over the terms of the sale. Not satisfied with the reservation of a section for public schools, they demanded a similar section in each township for religion and four whole townships for a university.[1] Alice Rivlin notes what happened next:

> "...Congress was unwilling to go this far, but the prospect of disposing of a very large quantity of land...in a single transaction was attractive, and it finally agreed to most... demands. An ordinance of July 23, 1787, which authorized sale of the land to the Ohio Company, set aside one square mile in each township for public schools, one for religion, and two townships of good land near the center of the purchase 'for the support of a literary institution, to be applied to the intended object by the legislature of the state.' The first federal grant for higher education eventually provided an endowment for Ohio University at Athens, Ohio."[2]

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[1]Alice Rivlin, The Role of the Federal Government in Financing Higher Education (Washington: Brookings Institution, 1961), pp. 9-10. Rivlin's classic study of the federal government's role in higher education was invaluable in the preparation of this section. Readers interested in pursuing this topic in more detail are advised to consult her book.

[2]Ibid., p. 11.

Later in the same year the government made a contract with the Scioto Company for a smaller piece of land in what is now southeastern Ohio. Again, the national government agreed to set aside a whole township for higher education. This grant resulted in the founding of Miami University. Congress created three land districts within the remaining portion of the Northwest Territory and designated one township in each district for higher education. The three townships were eventually granted to the states of Indiana, Illinois, and Michigan.[3]

The nature of the institutions to be supported was left entirely to state legislatures. Early statutes did not even specify public control of the institutions, making it possible for Indiana to transfer one of its seminary townships to Vincennes University, a church-related institution with a self-perpetuating board of trustees. In later years, Congress specified that the institutions endowed with federal grants should be state-controlled.[4]

In state after state, institutions of higher learning were founded in order to take advantage of the federal grants. Those "universities" were often little more than high schools, but they were the basis on which the states were later to build strong state universities. Without the stimulation of federal grants, many states would have had no public institutions of higher learning, and some no higher educational institutions at all, until many years later. Perhaps even more significantly, it was only a

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[3] Ibid., pp. 11-12.

[4] Rivlin, pp. 11-13.

short step from the designation of federal lands for higher education to the use of regular federal tax revenues for the support of higher education.[5]

A new chapter in the history of federal aid to higher education began with the passage, after considerable opposition, of the Morrill Act in 1862. Congressman Morrill first introduced his bill in 1857, stating explicitly that its purpose was "to promote the liberal and practical education of the industrial classes in the several pursuits and professions of life." The bill also provided a popular method of disposing of public lands to help in the development of a scientific agriculture; to expose "humble folk" to the refining influences of higher education; and, finally, to help some states, less blessed than others, achieve better use of their resources.[6]

The act itself provided for the endowment, support, and maintenence of at least one college where the leading object would be to teach such branches of learning as are related to agriculture and the mechanic arts.[7]

Each state was granted 30,000 acres for every senator and congressman under the 1860 census. The act further required that states assume all expenses related to the selection and sale of lands, as well as the management and disbursement of funds, preserving the entire federal contribution as an endowment. All money realized from the sale of land was required

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[5]George Rainsford, Congress and Higher Education in the Nineteenth Century (Knoxville: University of Tennessee Press, 1972), p. 70.

[6]Edward Danforth Eddy, Colleges for Our Land and Time: The Land Grant Idea in American Education (New York: Harper and Row, 1956), p. 27.

[7]Frederick Rudolph, The American College and University (New York: Vintage Books, 1962), p. 252.

to be invested in federal bonds or other "safe securities" and to remain unimpaired as permanent funds for the endowment and support of appropriate colleges.[8]

The states were required to contribute to the maintenance of the land-grant institutions and provide buildings as none of the endowment fund could be used for buildings and only ten percent for building sites. To secure the benefit of the act, a state had to signify its acceptance of the terms within two years of July 2, 1862, and establish the institution within five years. The college had to submit annual progress and expenditure reports to the Secretary of the Interior and to each of the other land-grant institutions. In addition, each governor was required to submit annual reports to Congress on the sale of lands and the investment of the proceeds.[9]

In summarizing the contributions of the Morrill Act, Russell Thackery cites the conclusion of a study by the Council of State Governments:

> First, thanks to the Land-Grant system it is now generally agreed "that higher education should be made available to broad segments of the population"; second, "education in the applied sciences -- technical and vocational education generally -- now have wide recognition and status"; and third, "the performance of broad public services and participation in activities designed to serve both immediate and long-range needs of society are generally accepted as proper and important functions of institutions of higher education."[10]

Also worth noting are two additional points. First, although no enforcement procedure was established, a new pattern of obligations was

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[8] Ibid., pp. 252-253.

[9] Rainsford, p. 93.

[10] Russell Thackery, "Senator Morrill's Baby," American Education, August-September 1974, pp. 21-24.

assumed by the states since, in order to be eligible for a grant, they had to pass legislation pledging acceptance of the terms. This was in contrast to the almost complete lack of conditions associated with previous grants. Second, the 1862 act established the practice of annual reporting of and accounting for federal funds. These features represent the beginning of a pattern which has characterized much of federal aid to education.[11]

In 1890, Congress passed the second Morrill Act. By doing so it recognized that since the state governments had come increasingly to the aid of the land-grant institutions in providing buildings and general budgets, it was appropriate for Congress to increase its provision of funds for instruction. The bill provided money for instruction in "agriculture, the mechanic arts, the English language, and the various branches of mathematical, physical, natural and economic science, with special reference to their application in the industries of life."[12]

The bill also contained provision for increased federal supervision of the application of funds. College presidents were required to submit "full and detailed annual reports to both the Secretary of the Interior and the Secretary of the Treasury regarding the condition and progress of each college." It further provided that these reports include an accounting of receipts and expenditures, library, faculty, students, and all "such other industrial and economic statistics as may be regarded as useful." The Secretary of the Interior was authorized to deny payments to

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[11] Rainsford, p. 114.

[12] Rivlin, p. 20.

any state which did not meet the conditions of the act and to report annually to Congress on the money disbursed or withheld. In this way, for the first time in federal grant procedure, the government established control over the use made of granted funds.[13]

Both Morrill Acts are extremely important. The first act is generally remembered for its language and the concept it embodied, yet the second actually accomplished a great deal more of real significance. For example, it more than doubled the federal contribution to the land-grant colleges. Also significant is the impact of the second act on the history of federal legislation. V. O. Key has written that the Second Morrill Act is of major importance because it specified what subjects would be supported, required extensive annual reports and contained the first provision to withhold funds and assess penalties for non-compliance.[14]

The two Morrill Acts and the Nelson Amendment, in providing basic federal support to the land-grant colleges and universities, stimulated the states to increase their aid to these institutions. In 1910, federal aid to land-grant colleges made up one-third of their income. By 1932, this figure had dropped to ten percent.[15]

However, little machinery for federal supervision or inspection of institutions using the funds was established. Administrative control remained in local hands. During the next sixty years the trend was toward greater federal insistence on the right to supervise the states' use of the vast sums distributed for education and social welfare purposes.

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[13] Rainsford, p. 111.

[14] V. O. Key, The Administration of Federal Grants to the States (Chicago: Public Administration Service, 1937), p. 161.

[15] Rainsford, p. 112.

Legislation illustrating this includes the Adams and Hatch Act (1906), the Smith-Hughes Act (1917), and the Bankhead-Jones Act (1935).[16]

The Morrill Acts also provided the impetus for programs utilizing federal aid as a means of encouraging special types of education within the states. Federal legislation extended this approach to state colleges of agriculture and mechanic arts, to agricultural research (Hatch Act), university extension (Smith-Level Act), and vocational education (Smith-Hughes Act).[17]

Further, through most of the early history of federal aid to education, funds were granted directly to the states or to public institutions through the states. Not until the 1930s did Washington begin to grant assistance through direct dealings with an institution. Even then, funds were given to individuals attending institutions rather than to the institutions themselves. This practice was nevertheless a departure in federal policy because the educational institutions, both public and private, distributed the funds to the students and in most cases received the money back as payments for tuition and other expenses.

The growth of federal support for research in universities is an important by-product of the Morrill Acts. When the land-grant institutions began organizing courses in farming in the 1860s and 1870s, they discovered there was very little to teach. In an effort to build up useful courses, most of the colleges, soon after their founding, began informal

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[16]John Brubacher and Willis Rudy, Higher Education in Transition (New York: Harper and Row, 1958), p. 156.

[17]Ibid., pp. 224-227.

research and experimentation. Some organized formal "experimental stations" to conduct research and disseminate the results among the farmers in their states. By the 1880s, the land-grant colleges began to lobby for federal support and their efforts were rewarded with the passage of the Hatch Act in 1887.[18]

Under the terms of the Hatch Act, each state was awarded $15,000 to support an agricultural experimental station at its land-grant college. The program was placed under the direction of the Department of Agriculture. The experimental stations were permitted to choose their own projects, although the Commissioner was given the power "to indicate, from time to time, such lines of inquiry as to him shall seem most important."[19]

The Adams Act of 1906 increased federal support to the experimental stations and gave the Secretary of Agriculture more control over their research. The stations were now required to secure approval of the research projects for which they desired to use federal funds. Later legislation increased grants to the experimental stations and broadened the scope of their activities.[20]

State and federal support for the experimental stations increased during the first half of the twentieth century. Prior to World War II, however, examples of federally financed research in colleges and universities, except for agriculture, were few and far between. There were

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[18] Rivlin, pp. 24-25.

[19] Ibid., p. 25.

[20] Ibid., p. 26.

some small grants for health and military research, but spending money in this manner found little congressional support.[21]

By the outbreak of the First World War, the importance of scientific research to military technology had become more clear. President Wilson created a National Research Council whose objective was to mobilize the research resources of the country: academic, industrial, and governmental. Some monies went to the universities for defense-related research.

The National Advisory Committee for Aeronautics (NACA) also financed some university research. During the depression, the Works Progress Administration (WPA) used some of its funds to support projects directed by faculty members in tax-supported colleges and universities. Despite these examples, federal participation in non-agricultural research was minimal prior to World War II when the picture was dramatically altered.[22]

To Vannevar Bush, World War II "was the first war in human history to be affected decisively by weapons unknown at the outbreak of hostilities."[23] By the end of the conflict, research efforts were "massive and all-inclusive." In 1940, almost all of the approximately $15 million spent by the federal government for research was controlled by the Department of Agriculture.[24] Ten years later, more than a dozen agencies were spending in excess of $150 million a year for contract research.

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[21] Ibid., pp. 26-29.

[22] Ibid., pp. 29-30.

[23] Vannevar Bush, Science, The Endless Frontier (Washington: U. S. Government Printing Office, 1945). Cited in Rivlin, p. 31.

[24] Rivlin, p. 30.

One important side effect of this dramatic increase was that the federal government began to contract directly with the institutions rather than channel the money through the states. Thus, the states came to play a less important role in the relationship between the federal government and the universities.

In November 1944, President Roosevelt asked Vannevar Bush, director of the Office of Scientific Research and Development, how the lessons learned from World War II could be applied to the coming years of peace. Bush's answer was Science, The Endless Frontier, a classic statement of the desirable relationships between government and science in the United States, the central thrust of which was the significance of basic research.

Bush's major recommendation was the establishment of a "National Research Foundation" as the principal means for developing and promoting a national policy for scientific research and scientific education.[25] This recommendation was supported in Science and Public Policy, a report made two years later by the President's Scientific Research Board. In addition, the report urged the government to spend at least one percent of the Gross National Product on research and development and support basic research in universities and non-profit institutions to the extent of $250 million by 1957.[26]

As a result, Congress passed the National Science Foundation Act of 1950. The National Science Foundation (NSF) has grown from a small

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[25] Ibid., p. 20.

[26] John Steelman, Science and Public Policy...A Report to the President (Washington: U. S. Government Printing Office, 1947).

foundation with a $5 million budget to a large agency currently spending some $700 million to support basic research and related activities, largely in colleges and universities.

As World War II drew to a close, many questions were asked about facilitating the veterans' readjustment to society. Congress, at the urging of President Roosevelt, responded to these concerns by passing a plethora of benefits for returning servicemen. The most important of these measures was the Servicemen's Readjustment Act of 1944, popularly called the "G. I. Bill of Rights." Its dual purpose was to help individual servicemen readjust to civilian life and to prevent a huge glut of the labor market as some ten million soldiers were rapidly demobilized. The bill contained four major provisions to: help the veterans find jobs; support them if they were unable to find jobs; help them buy homes; and encourage them to begin (or continue) their education. Eligible veterans received payments for tuition, books, and living expenses for up to four years of schooling. Tuition could run up to $500 a year; living allowances were $50 a month for a single veteran, $75 a month for a veteran with dependents. The $500 limit worked to the disadvantage of the public institutions, whose low tuition and fees represented only a small part of the cost of educating a student.[27]

Administrative difficulties and institutional dishonesty (e.g., raising tuition to profit from the program and not providing educational services as promised) led the government to terminate the payments to institutions when the G. I. Bill was extended to the Korean War veterans in 1952.

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[27]Rivlin, p. 68.

Korean veterans received a flat monthly payment (adjusted by number of dependents) and were required to pay any expenses over that sum. This simplified administration of the program but encouraged veterans to attend the lower cost public institutions.[28]

The impact of the returning veterans was tremendous. Enrollments in colleges and universities jumped from 400,000 in the fall of 1946 to 1,500,000 in the fall of the next year.[29] As a result of this wave of students, there was a great shortage of instructors and facilities. Some of the pressure was eased by the sale to academic institutions of government barracks and other surplus buildings and equipment.

The thirty years between the end of the second World War and the present have been filled with many specific developments that have deeply changed the relationships between the federal government, the states, and institutions of higher education. These include the Korean War and the Cold War, Sputnik, the rapid acceleration of space research, the baby boom, Vietnam, and the drive toward egalitarianism. The simplest way to sum up the effect of these factors is to say that the federal government has become increasingly involved in shaping the role and character of higher education.

By the late 1950s, it had become apparent to many observers that American higher education was not performing as well as it could. Separate studies by the Joint Atomic Energy Committee, the Presidential Committee

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[28] Ibid., p. 69.

[29] Henry Levin, "Vouchers and Social Equity," Change, October 1973, pp. 29-34.

on Education Beyond the High School, and the President's Committee on Scientists and Engineers illustrated the absence of proper facilities and the shortage of properly trained scientists and teachers. Congress, however, repeatedly expressed reluctance to enter a field traditionally reserved to the states. In both 1956 and 1957, federal loans for school construction had been rejected for fear of possible federal control over education.[30]

In late 1957, the Russians launched Sputnik I and II much to the dismay of most Americans. This display of technical prowess shocked the nation and turned the quiet debate on aid to higher education into a burning issue. Senate and House committees held hearings that produced over 4,000 pages of testimony. The hearings provided a wide spectrum of views on American education and what, if anything, should be done to improve it.

Out of the web of proposals emerged the National Defense Education Act (NDEA) which was signed by President Eisenhower on September 2, 1958. Alice Rivlin has accurately portrayed this as "a hodgepodge piece of legislation, representing deliberate compromises" and it was labeled an emergency defense measure not a permanent program of federal aid to education as such.[31] It was, however, an enormously significant piece of legislation. Some of the more important provisions include:

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[30]Joint Committee on Atomic Energy, Engineering and Scientific Manpower in the U. S., Western Europe and Soviet Russia, Washington, 1956. Report of the Presidential Committee on Education Beyond the High School, Second Report to the president, Washington, 1957. Report of the President's Committee on Scientists and Engineers, Washington, 1957.

[31]Rivlin, p. 74.

Title II: Authorizing the U. S. Commissioner of Education to lend money to university and college student loan funds to enable needy students to continue their education. Preference was given to superior students intending to teach and to those with ability in science, mathematics, engineering or modern foreign languages. This title also contained the forgiveness provision for students who later taught.

Title III: Providing matching grants to states for public schools and ten year loans to private schools for the purchase of equipment for use in teaching science, mathematics and foreign languages.

Title IV: Authorizing 4,400 three-year graduate fellowships, with preference to those interested in college teaching. NDEA fellowships were awarded for attendance at new or expanded graduate programs, thus encouraging new graduate schools.

Title V: Authorizing grants to state educational agencies to assist them in establishing and maintaining programs of testing and of guidance and counseling in secondary schools.

The debate surrounding the passage of the NDEA was quite similar to that which preceded the Morrill Act. Conservative "states rights" congressmen, primarily from the South, argued -- as their forebearers had argued -- that federal aid to education in any form was both unconstitutional

and undesirable. Barry Goldwater, for example, voted against the legislation because "if adopted, the legislation will mark the inception of aid, supervision, and ultimately control of education in this country by federal authorities."[32]

Enactment of this measure marked the beginning of a new trend: the infusion of massive federal aid to higher education to improve student access, upgrade the quality of institutions, and assist in the achievement of national objectives. A new wave of legislation in the sixties deepened the federal involvement in higher education.

The Higher Education Facilities Act of 1963 was of primary importance because it was the first education proposal, not related to national defense, enacted after World War II.[33] The act authorized a five-year program of federal grants and loans for construction or improvement of public and private higher academic facilities. Some of the titles of this act were administered through the states and some provided for direct federal-institutional relations.

The most important section involving the states was Title I which provides money for the allotment of grants to the states for public community colleges and public technical institutes on the basis of a state's per capita income and the number of high school graduates in the state. Funds were provided on a matching basis with the federal government contributing 40 percent.

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[32]U. S. Congress, Senate, National Defense Education Act of 1958, Senate Report 2242, to accompany S. 4237, 85th Congress, 2nd Session, Senate Miscellaneous Reports on Public Bills, Vol. II.

[33]Higher Education Facilities Act of 1963, Statutes at Large, Vol. 77, Public Law 88-204.

Money was also authorized for grants to the state for the construction of undergraduate facilities at four-year colleges and universities according to the following formula: one-half of the funds on the basis of the relative college and university enrollments in the states; one-half on the basis of the relative enrollments of students in grades 9 through 12 in all private and public schools in the states. This provided up to thirty-three and a half percent federal matching funds. Title I further required that a commission in each state, representing both colleges and the public, submit to the Commissioner of Education a statewide plan for participation in the program.

Other titles contained provisions for grants to graduate centers and direct loans to higher education institutions. From the perspective of federal-state relations, the requirement for the development and administration of statewide plans is of principal significance.

In 1965, Congress approved the Higher Education Act of 1965 and by doing so took on important new responsibilities in higher education.[34] The most important part of the new legislation was Title IV which contained revolutionary student aid provisions. For the first time Congress approved federal scholarships for undergraduate students through the Educational Opportunity Grant program. Another new aid program was the Guaranteed Student Loan program which provided insurance for loans with federal subsidies on interest payments. The loans and scholarships, together with a work-study program, were expected to help students from

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[34] Higher Education Act of 1965, Statutes at Large, Vol. 79, Public Law 89-329.

both middle and low income families. These programs were designed to supplement the National Defense Student Loans which were expanded and extended in this act.

The Higher Education Act of 1965 contained eight titles, five of which provided for direct federal-university relations. The only provision which directly involved the states was Title I which authorized matching federal grants to the states to develop community service programs conducted by public or private non-profit colleges or universities. These programs were to give particular emphasis to urban and suburban problems, including housing, poverty, employment, transportation, health and other local issues. The states were required to draw up plans for comprehensive, statewide community service programs, to be approved by the U. S. Commissioner of Education, and were permitted to seek judicial review in federal courts of appeal if the Commissioner disapproved their plans.

The other titles of the act provided federal aid for a variety of purposes as follows:

Title II: College Library Assistance

Title III: Strengthening Developing Institutions

Title IV: Student Assistance

Title V: Teacher Programs

Title VI: Improving Undergraduate Courses

Title VII: Amending and Extending the Facilities Act of 1963

With the passage of the Higher Education Act of 1965, there could be no doubt that the federal government was deeply involved in American higher

education. The traditional argument that higher education was the domain of the states appeared to be shattered.

The years between 1965 and the passage of the Education Amendments of 1972 saw another philosophical shift: from a meritocratic belief in higher education to an egalitarian philosophy. This change of philosophy, combined with the recent financial difficulties of many educational institutions has had a significant impact on the role played by the states and the federal government in financing higher education.[35]

In the past five years, the relationship between higher education and external bodies, such as the courts, state legislatures and various other external agencies, has taken on much greater significance. A recent Committee for Economic Development (CED) publication noted:

> Clearly, the courts have entered a vastly different relationship with the campus from the entente that has prevailed throughout most of the history of American higher education. The catalytic force was neither the wave of student protest in the mid-1960s, nor the opening of the federal courts to the suits of the suspended or dismissed students. What really affected this major realignment in court-campus relations was the flood of litigation after the Kent-Cambodia crisis in May 1970.[36]

The range of litigated issues is broad and involves ones which would not have been thought justiciable a decade ago:

> Legality of dormitory room searches; confidentiality of student files and records of student organizations; recognition and status of student political groups; administrative control over campus newspapers and other publications; access of insiders and outsiders to campus facilities

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[35] The Second Newman Report: National Policy and Higher Education (Cambridge: MIT Press, 1973), pp. 1-3.

[36] Robert M. O"Neill, The Courts, Government and Higher Education (Washington: Committee for Economic Development, 1972), p. 2.

> for meetings and rallies; denial of enrollment in or credit for particular courses as well as degree programs; withdrawal of student government positions or offices from alleged campus wrongdoers; and other comparable issues.[37]

The background is complex and predictions about future litigation are problematic. It seems certain, however, that litigation will increase in the near future, perhaps around the broad areas suggested by the CED report: 1) equality in the allocation of benefits and opportunities; 2) litigation over participation in university decision-making; 3) the legal status of public and private colleges; and 4) litigation by institutions to protect their own interests.[38]

The role of agencies external to colleges and universities is also expanding. The National Labor Relations Board (NLRB), for example, has recently become involved in higher education. In 1970, the NLRB announced that it would determine bargaining units and supervise elections in private institutions with receipts of at least $1 million. In this manner, nearly all private colleges and universities fell under NLRB jurisdiction.

Currently, the greatest area of administrative agency review of academic decisions is in affirmative action for women and minority groups. College and university personnel decisions have come under the purview of the Department of Health, Education and Welfare (HEW), the Department of Labor, and the Equal Employment Opportunity Commission (EEOC). Originally, colleges and universities had been exempted from the 1964 Civil Rights Act, but that exemption was removed by a 1972 amendment.

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[37] Ibid., pp. 11-12.

[38] Ibid., pp. 16-29.

Using the nondiscrimination provisions of Title VI of the 1964 Civil Rights Act, HEW held up for several months the payment of contract money to Columbia University and the University of Michigan. Meanwhile, HEW's Office of Civil Rights has spelled out guidelines for university administrations to use in designing and implementing affirmative action programs. Finally, minorities or women may take complaints to the Equal Employment Opportunity Commission. If attempts at informal resolution fail, EEOC may bring suit against an allegedly discriminatory employer.

The Internal Revenue Service and the Federal Trade Commission have both recently entered the picture. The role played by the Department of Labor is also becoming more important. Universities are being held accountable under the Occupational Safety and Health Act (OSHA).

The impact of OSHA on universities is perhaps best illustrated by Michigan State University's decision to include all OSHA repairs in a separate entry in their line item budget submitted to the Michigan legislature. The cost of the required repairs was a staggering $840,000. In days of financial austerity such an overwhelming expense could conceivably sink a less solvent private institution.[39]

Predictions about the future impact of these agencies are very hazardous. The agencies have come to the campuses only recently and are still feeling their way about in an unfamiliar world. Their inclination to remain on campus will depend on a variety of factors, one of which is the reaction of the academic community itself. It is much too early to

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[39]John C. Crowley, Associate Executive Secretary of the Association of American Universities.

gauge the will to resist or cooperate, especially since all the implications of their presence have not yet been fully appreciated.

By 1968, it was apparent to most college and university administrators that they were being caught in a financial squeeze. Enrollments were rising as were costs while existing sources of revenue were leveling off. Educators began to look for new sources of revenue. The most common suggestion was to retain all existing forms of federal aid and to add institutional grants with new money to be provided by the federal government directly to the institutions.[40]

During the discussion of institutional grants some new concepts began to get a hearing. One most frequently heard was that the major goal of new federal programs should be to encourage needy and lower-middle-income students to attend college. It was argued that federal aid should be in the form of grants and loans to low-income students and that instructional aid should be in the form of added cost-of-instruction allowances to assist those institutions accepting needy students. This was the thrust of the Rivlin report prepared in the last months of the Johnson administration and issued in January of 1969.[41] Eventually, this philosophy became the underpinnings of the Higher Education Amendments of 1972.[42]

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[40] Howard Bowen, "Financing Higher Education: The current State of the Debate," Higher Education, Human Resources and the National Economy (Washington: Association of American Colleges, 1974), pp. 23-44.

[41] Toward a Long-Range Plan for Federal Financial Support for Higher Education: A Report to the President (Washington: Department of Health, Education and Welfare, 1969).

[42] Higher Education Amendments of 1972, Statutes at Large, Vol. 86, Public Law 92-318.

The provisions of the Amendments of 1972 are so numerous that only the major sections are noted:

1. A new program of Basic Educational Opportunity Grants (BEOG) under which any college student in good standing is entitled to a basic grant of $1,400 minus the amount his family could be expected to contribute toward his education expenses was established. The grant could not exceed the difference between the expected family share and the actual cost of attending the school nor could the amount of the grant exceed more than fifty percent of the cost of attendance at the institution.
2. Proprietary (or profit making) schools were made eligible to receive federal aid. This provision tripled the number of institutions competing for federal funds. It also gave these schools a degree of legitimacy in the world of postsecondary education.
3. Existing college-based student aid programs were continued.
4. An Education Division was established within the Department of HEW, headed by an Assistant Secretary for Education. This division is composed of the existing Office of Education and the National Institute of Education (NIE) which is created by the Amendments.

Two provisions were of special interest to state governments:

1. A new student assistance program, the State Student Incentive Grant (SSIG), was created.

2. The states were encouraged to establish a state commission or to designate a state agency responsible for state planning in postsecondary education. The commissions are to be "broadly and equitably representative of the general public and public and private non-profit and proprietary institutions of post-secondary education in the state...."

These two provisions were an important step by the federal government to encourage greater state participation in student aid as well as planning and coordination in postsecondary education.

It is becoming increasingly clear that to meet national goals in postsecondary education requires federal action. The states, individually, while they play a most important role in funding and administering post-secondary education, cannot without federal leadership produce a system of higher learning which fully addresses the national interest.

Section II

Alternative Positions on Federal-State Relationships in Postsecondary Education

While there has been a good deal of discussion in recent years about federal and state responsibility in postsecondary education, relatively little has been written about the inter-relationships between the levels. It is, however, possible to discern three differing positions: 1) a strong statist viewpoint; 2) a strong federal-institutional viewpoint; and 3) a variety of positions which lean in the direction of state-federal-institutional partnership. The discussion which follows considers the nature of these various positions and the arguments for them.

1) The strong statist view argues that the federal government should play, at best, a minor role in higher education with the states and their local governments being the dominant instruments. During debate on the National Defense Education Act of 1958 (NDEA), Strom Thrumond made the case as to why the states should bear the major burden:

> Nowhere in the Constitution is the word "Education" or any synonym thereof used. The framers of the Constitution wisely recognized that education is a responsibility of the state, the community and the parents. The Constitution declares in the 10th Amendment:
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> > 'The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively or to the people.'[1]

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[1] U. S. Congress, Senate, National Defense Education Act of 1958 Senate Report 2242, to accompany S. 4237, 85th Congress, 2nd Session, Senate Miscellaneous Reports on Public Bills, Vol. 11.

In hearings on the NDEA of 1958, the American Legion also stated a similar position very forcefully:

> It (the American Legion) subscribes to the fundamental proposition laid down by the drafters of the Constitution of the United States that there must be dual sovereignty as between the National and State Governments and that the National Government must never trespass on the power and functions and activities reserved to the several states and to the people by our Constitution.
>
> The American Legion has long advocated the proposition that under our constitutional system of government in the United States, each state is and should be vested with complete, sole, and final power, authority, direction, and control over every facet of public education within its borders including but not limited to, provision of funds; employment and dismissal of teachers, bus drivers and school personnel; establishment of curriculums;... control of arrangements for construction and administration of scholarships, training and certification of teachers; ...provision and financing of buildings, grounds, classrooms, laboratories, auditoriums, gymnasiums, and boundaries; ...statistical and census reports and all other records and studies; character of courses; the creation and regulation of school boards and governing bodies; the fiscal and accounting practices; and all other phases and activities having to do with public elementary and secondary and higher education.
>
> The American Legion likewise believes in the largest possible measure of home rule in public education and is of the opinion that the states should delegate to local communities the greatest autonomy that is feasible.[2]

Proponents of this perspective have been overrun by events to a considerable extent. The several major pieces of federal legislation dealing with higher education which passed in the 1960s and early 1970s clearly placed the federal government in a pivotal situation. Financial pressures on states and individual institutions added impetus to a

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[2]U. S. Congress, House, Committee on Education and Labor, Scholarship and Loan Program, Hearings, before a subcommittee of the Committee on Education and Labor, on H. R. 10381 and H. R. 10278, 85th Congress, 2nd Session, 1958.

broadening interest in the federal government's support of higher education. While we are far from consensus as to how federal resources and policies should be administered, there is little lingering desire among those concerned with higher or postsecondary education to see the states "go it alone." Extreme states rightists, and extreme strict constructionists of the Constitution, might argue for this but their political base is small and their influence is likely to be increasingly marginal.

2) The strong federal-institutional view argues that the national government is becoming the dominant policy and financial force in postsecondary education and that efficiency and social equity require direct federal administration to individuals and institutions. The rationale for this position is that state and local governments left to their own devices may fail to act in the national interest in at least four ways:

a. A state or locality may spend less on higher education or do less to expand enrollment than would be in the national interest because it may take into account only the benefits to future residents of the area.

b. States and localities may not respond adequately to nationally perceived needs for people with a particular skill.

c. States and localities may fail to provide enough opportunities for low-income students.

d. State and local support for public institutions of higher education may weaken the private sector.[3]

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[3]The Brookings Institution provides a summary of the case for the federal role in Setting National Priorities: The 1974 Budget, pp. 146-148.

That a vastly enlarged federal role is inevitable was enunciated in 1968 by Alan Pifer, president of the Carnegie Corporation of New York, who predicted that by the turn of the century all postsecondary education would be supported by the federal government. Suggestions for greater participation by the federal government were included in Quality and Equality: Revised Recommendations, New Levels of Federal Responsibility for Higher Education, (June 1970) and in Higher Education: Who Pays? Who Benefits? Who Should Pay? (June 1973), both published by the Carnegie Commission on Higher Education.

The rhetoric surrounding this position is impressive: higher education must be more responsive and accountable. The way to achieve these ends is to increase the federal role. The states are, after all, indecisive, antiquated, timid, ineffective, unresponsive and unwilling to face their problems.[4]

There is, however, for those who hold this view, some disconcerting contrary evidence. First is that the planning, financing and governance of higher education have traditionally been the responsibility of state governments. While varying degrees of administrative authority have been delegated to colleges and universities, and the federal government has contributed financial support in accordance with national needs and priorities, the states have been the linchpin of American higher education.

The states have always borne a substantial responsibility for financing postsecondary education. The National Commission on the Financing

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[4]Terry Stanford, Storm Over the States (New York: McGraw-Hill, 1967), p. 1.

of Postsecondary Education reported that in 1972 the income of post-secondary educational institutions was about $30 billion. Of this $30 billion, thirty-one percent came from state and local governments; twenty-seven percent came from the federal government; twenty-one percent came from students and parents; and nineteen percent came from other sources.[5]

It is probable that the federal percentage will increase in the future (although not meeting Alan Pifer's prediction of 100 percent by the year 2000).

From the perspective of some categories of institutions, most notably the large research universities, since federal monies already amount to upwards of fifty percent of income, a dominant federal role seems imperative. Those institutions having the capability to sustain mature, sophisticated administrative operations prefer to see federal funds, including those for student aid, administered institutionally on behalf of the federal government. They are relatively unenthusiastic about working through the states.[6] In their view, providing a role for the states introduces one more level of bureaucracy with its costs and delays, and with little evident gain.

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[5]The National Commission on the Financing of Postsecondary Education, Financing Postsecondary Education in the United States (Washington: U. S. Government Printing Office, 1973), p. 130.

[6]See, for instance, the communication of July 8, 1974 from the Association of American Universities and the National Association of State Universities and Land-Grant Colleges to Congressman James A. O'Hara, Chairman of the Special Subcommittee on Education of the House Committee on Education and Labor, commenting on Title IV of the Higher Education Act of 1965, as amended.

Supporting a similar outlook are some federal officials committed to federal and/or departmental regionalization or to maintaining the bureaucratic integrity of programs which at present operate directly from the federal establishment to individuals or institutions.

The weight of these protagonists for federal dominance is difficult to assess. Certainly federal lawmakers responsible for post-secondary education legislation are among the most powerful individuals in the "extended" academic community. They are also among those most open to persuasive arguments for modified approaches. Few of them are rigidly doctrinaire. The leaders of the research universities are more intent on their own institutional interests and inclined to be less responsive to differing perspectives. Their dominance of academic discourse is waning, however, and it is probable that they could not prevent movement away from their preferred position. As for bureaucratic preferences for federal dominance, these will be powerful forces for system maintenance where changes depend on administrative regulation rather than law.

3) Spokesmen for state-federal-institutional cooperative arrangements are numerous and present many variations on the central theme.

The Carnegie Commission Report, The Capitol and the Campus[7] leaned somewhat more in the direction of making a case for the centrality of the states in higher education than did many subsequent reports. The major themes of the Carnegie Report were as follows:

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[7]Carnegie Commission on Higher Education, The Capitol and the Campus (New York: McGraw-Hill, 1971), pp. 87-91.

a. Historically the states have had the primary responsibility for the development of higher education.

b. This responsibility has been well discharged as demonstrated by the quantitative and qualitative growth of higher education.

c. The states should continue to have primary governmental responsibility.

d. The U. S. should not move in the direction of a single national system. Federal support should be for specialized purposes such as research and student aid, and for supplemental purposes such as cost-of-education allowances to institutions. The federal government should not become a dominant source of basic financial support for institutions of higher education generally because of the potential danger of dominance and control. The state-by-state system, with regional cooperation when appropriate, should be preserved.

e. The states should broaden the scope of their interest to include the whole range of postsecondary education.

f. The growing dominance of governors over higher education is a matter of concern and a number of restraints on the control of higher education by governors are needed.

g. The development of oppressive state regulatory councils over higher education is also of concern.

h. A state coordinating agency needs to be responsible for long-range planning.

i. State financial support for higher education varies greatly and the states should make an emergency effort to increase funding in those cases where deficiencies for support or student opportunity have been identified.

j. Some state support of private colleges and universities is recommended.

k. While institutions of higher education neither can nor should be completely autonomous, limits must be placed on external governmental interference in the internal life of the campus.

l. The major theme is restated: "As goes state support, as goes state understanding, as goes state acceptance of autonomy, so also goes, beyond any other external influence, the future of all higher education in the United States."

The National Commission on the Financing of Postsecondary Education proposed eight alternative financing plans, each of which would place differing obligations on the federal government, the states and other supporters of postsecondary education.[8] The Commission did not, however, delineate a model for state-federal-institutional relationships since it was primarily concerned with an analytical scheme for dealing with institutional costs.

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[8]The National Commission on the Financing of Postsecondary Education, Financing Postsecondary Education in the United States (Washington: U. S. Government Printing Office, 1973), 247 ff.

The Commission set forth its views on the respective responsibilities of the states and the federal government as follows:

> In carrying out their responsibilities for the support of postsecondary education...the fifty states have shared a number of basic objectives. All states seek, for example:
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> - To provide maximum postsecondary educational opportunities for their citizens according to the financial resources available to states and the attitudes of their citizens regarding government's responsibility for providing such opportunities.
>
> - To provide training in professional and technical occupations believed to be important to the economic development of each state and the welfare of its citizens.
>
> - To encourage research in areas of strong public interest (for example, medicine, agriculture, and engineering).
>
> - To encourage young men and women of exceptional ability to obtain advanced knowledge and skills in the arts, humanities, social sciences, and natural sciences.

As for the federal government, the Commission said:

> Each new federal program enacted during this period (1950s and 60s) carried with it a specific rationale or objective but the growth of federal support generally has been justified primarily on one of two grounds. Either it has come as an extension of an existing federal policy (for example, educational benefits to veterans), or it has been an expression of concern that state and local government, if left with the whole responsibility, might be unable or unwilling to provide adequate support for postsecondary education.... It is frequently argued that states may be unwilling to provide sufficient financing because they are concerned only with the interests of and benefits to their own future residents and cannot be asked to respond to national work-force needs that are not evident locally. It has also been argued that states will inevitably have differing standards of public responsibility for aiding those who may be deprived of educational opportunity because of low income or racial or ethnic discrimination. To the extent that states try to meet their citizens' needs by providing low-price

> public collegiate institutions they cause financial distress for private institutions, which they are often discouraged from aiding for political and constitutional reasons. Therefore, the federal role, in large part, has been to give direct and indirect encouragement to the training of persons with specific skills that are believed to be in short supply nationally, to attempt to equalize educational assets across state lines, and to provide support that will assist private institutions that serve important educational objectives.

Ernest L. Boyer, Chancellor of the State University of New York, and one of the commissioners on the National Commission on the Financing of Postsecondary Education, was concerned that the Commission's report provide a coherent statement which "will be helpful as a partial structure within which various financing proposals can be tested and will serve in part as a framework for future planning."[9] This statement, as an addendum to the Commission's Report, in effect presents a state-federal-student/family-philanthropic rationale, or set of guidelines. A summary of the Boyer statement follows:

I State and local support of postsecondary education.

A. State and local governments have primary public responsibility for basic institutional aid to postsecondary education.

B. Public institutions should receive primary institutional support from state and local governments. This includes two year, baccalaureate and graduate institutions. The goal of no cost to students for the first two years is desirable. Students may contribute to the costs of upper baccalaureate and graduate education. States and local governments should share with the federal government funding of basic research and public service programs at public institutions.

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[9] Ibid., p. 361.

C. Private institutions, while principally non-public supported, should be seen as essential educational resources by each state. The states should consider direct institutional support in exchange for their performance of specific public missions (e.g., high priority educational programs, education to special categories of students, and assistance with undergraduate education in line with state goals).

D. Both public and private institutions should participate in essential financial and programmatic reporting systems.

II Federal support of postsecondary education.

The federal role should be supportive in the financing of public and private postsecondary education. It should complement the financing obligations of state and local governments. Its support should be for programs which are truly national in character and transcend the needs of any given state or region. Four major federal obligations are to:

A. Assure equality of access

B. Support research and graduate education

C. Support high priority professional fields of study (e.g., medicine) and

D. Stimulate educational and managerial reform.

III Student and family support of postsecondary education.

A. Students and their families should share somewhat in costs in both public and private sectors.

B. In the public sector, income through tuition and fees should be a secondary source of institutional support. Tuition in the first two years should be free and graduated beyond those years.

C. In the private sector, tuition income should be the primary source of institutional support with a program of federal-state student assistance for low and middle income students to offset high tuition charges.

D. In all institutions students and their families should bear much of the cost of non-essential ancillary services.

IV Philanthropic support of postsecondary education.

A. All forms of philanthropic support should be expanded for both public and private institutions.

B. Federal and state tax policies should encourage philanthropy.

C. Unrestricted philanthropic gifts should be encouraged.

The Boyer statement provides, as was intended, a structural scheme for considering issues related to the financing of postsecondary education. To some extent its focus on financing limits its utility as a general framework for allocation of responsibilities in postsecondary education among the levels of government.

In mid-1972, the Education Commission of the States (ECS) appointed a task force on coordination, governance and structure of postsecondary education. The report of the task force, Coordination or Chaos? was published in 1973.[10] The findings of the ECS task force are summarized as follows:

I The states have the preeminent responsibility for postsecondary education.

A. Given the diversity of the states, there is no one best formula or approach for planning, program review, or budget review.

B. In developing statewide structures the states must take into account citizen needs, existing postsecondary resources, new approaches to educational delivery and desirability of regional and interstate planning.

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[10]Education Commission of the States, Coordination or Chaos? Report of the Task Force, (Denver, Colorado: October 1973), Report No. 43.

C. Federal legislation should encourage effective local-institutional-state-federal partnership in providing postsecondary educational opportunity for all interested and able citizens. Federal legislation and guidelines for postsecondary education should take account of the uniqueness of individual states.

II The task force recognizes the diversity of forms of institutions within the states. To insure diversity it urges that:

A. State planning should include clear definition of the objectives, role, and scope of the various institutions and segments of postsecondary education.

B. The institutions should be insured leeway in institutional operations within the statewide plan and institutional objectives.

C. The appropriate state agency for postsecondary education should be charged to include the full range of postsecondary education in its planning activities.

D. Voluntary inter-institutional cooperation should be encouraged in addition to or reinforcement of statewide planning and coordination.

III Changing population characteristics and social expectations are facing postsecondary education and must be addressed in the planning process.

IV Basic characteristics for an effective coordinating or governing agency charged with statewide planning would include:

A. Broadened responsibility for the full range of postsecondary education.

B. Concern for innovation and new "delivery" forms.

C. Concern for articulation with state departments of education; career and occupational education; higher education; individualized learning; and educational activities of business, labor, etc.

E. In states with multiple statewide postsecondary agencies dealing with state plans and/or dispersal of state and federal funds, these activities should be coordinated by one central agency.

Other recommendations dealt with relationships with institutions and with the legislative and executive branches of state government.

As will be seen from the foregoing, the ECS task force report is directed to providing advice and guidance to the states. It urges that the federal government in pursuing national goals take fully into account the diversity of organizations and capabilities in the states. It also recommends that there be a central coordinating agency to oversee the disbursal of both federal and state funds. No clearcut statements are made, however, about a partnership concept among the levels of government.

In June 1974, Richard Millard, Director of Higher Education Services for ECS, presented his organization's views before the Special Subcommittee on Education of the House Committee on Education and Labor.[11] Mr. Millard spoke to the partnership which should prevail among federal and state governments and institutions, with special reference to student assistance. He noted that an ECS task force report on "Postsecondary Education Opportunity: A Federal-State-Institutional Partnership" completed in February 1971, had been adopted as ECS policy. The principal conclusion of that report had been:

> From the standpoint of public policy, the prime need is for a real federal-state-institutional partnership in making equality of education opportunity more of a reality

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[11] Stenographic transcript of Hearings, Washington, D. C., Anderson Reporting Company, Inc., 300 7th Street, S. W. (June 6, 1974), p. 102 ff.

> in this country. Such institutional-state-federal partnership in complementation of efforts alone can assume substantial progress in meeting the needs of students combined with reasonable, efficient, and effective allocation of existing aid, resources.

Mr. Millard further noted the chaotic situation with respect to student aid programs. He said,

> Given present federal student aid programs, the states should use their resources to reinforce and supplement federal funds. This currently is impossible since neither the information, the funding patterns nor the operational liaison exist which permit the states in any systematic way to carry out such reinforcement. Federal programs have been so fragmented that it is impossible even to plan effectively at the state level for such supplementary efforts, let alone merge state resources with federal resources in meeting the needs of students.

Mr. Millard urged that assessment of student needs take place at the state level since institutional assessments can only deal with those individuals who apply to or are accepted at a particular institution. He did not argue that federal funds for institutional programs should pass through, be distributed by, or approved by the states. But, he pointed out that comprehensive information at the state level is essential for coordination and to assure complementary steps by state, federal and institutional programs.

The U. S. Office of Education because of a concern with the management of ten federal student assistance and service programs, named a task force to study the problem in 1973. The preliminary report of the task force, submitted in December 1973 to the Deputy Commissioner for Postsecondary Education, noted the need for more formal linkages to state programs. This need exists because of the growing importance of state scholarship and grant programs, the requirement under many state programs

to take account of federal awards, and the statutory requirement under the State Student Incentive Grant program that federal funds be matched with state funds and "packaged" together for delivery to the student.

Subsequently the Office of Education sponsored a National Work Conference on the state-federal partnership in student assistance (March 22, 1974) and another on the Institutional-Federal Partnership in Student Assistance (May 3, 1974). Finally, a seminar was held in July 1974 at which recommendations drawing on the previous proposals of the two Work Conferences regarding an institutional-state-federal partnership in student assistance was adopted. The first general recommendation stated that "the spirit of federal-state-institutional partnership recommended by the Task Force on Management of Student Assistance Programs and the coordinated strategy for implementation suggested by the report are strongly endorsed for implementation as soon as possible."[12] The report contains 55 recommendations on management of the student assistance and service programs. These reflect compromises and consensus derived from the state-federal and institutional-federal work conferences. They provide a basis for approaching the revision of the Higher Education Amendments of 1972 in 1975, with special reference to student assistance and service programs.

These efforts under the leadership of the Associate Commissioner for Student Assistance, represent the most specific current attempts within the Department of Health, Education and Welfare (HEW) to develop

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[12]Final Report of July 26th conference of Bureau of Postsecondary Education, Office of Education, (Washington: September 30, 1974).

a well-rationalized position with respect to federal-state-institutional relationships in the student aid arena. The perspectives, of course, are relevant to the Office of Education and its responsibilities.

The foregoing review of several positions related to cooperation among federal-state-institutional participants in postsecondary education indicates that, for the most part, impetus for such cooperation, insofar as it is desired, comes rather strongly from those associated with the states. It is instructive that no study or individual spokesman approaches the matter primarily from the federal viewpoint.

In the section which follows, a proposal for a federal-state-institutional partnership is presented. The proposal is promulgated on the ground that the national interest in postsecondary education is now preeminent; that while the states play and will continue to play a major administrative, planning and financing role, they cannot (acting individually or in concert), address the national interest without federal leadership. A further proposition is also involved, namely that the conflicts and uncertainties about working with the states in postsecondary education which have marked past federal actions will be resolved or reduced if a clear federal policy on federal-state-institutional relations is established.

Section III

A Proposal for a Federal-State-Institutional Partnership in Postsecondary Education

I. A partnership in postsecondary education among the federal government, the states (and their local governments), and institutions of postsecondary education means that in planning and initiating actions each of the partners will take account of the obligations and responsibilities of the other partners, their customary modes of operation, their administrative capabilities, and their financial capacities.

Specifically, for the federal government, partnership means recognition of the following guidelines:

A. The states have played a central role in postsecondary education for more than a hundred years and a major source of support at present comes from the states (thirty-one percent).

B. State structures for the governance of postsecondary education differ, sometimes radically, among the fifty states. Federal actions should permit the continuation of variety in state governance rather than pressing for uniformity.

C. Detailed planning and coordination of postsecondary education can most effectively be carried on by the states.

D. The administrative capabilities of the states vary considerably and federal actions may range from reliance on existing state capabilities to assisting in the strengthening of these capabilities to assuming federal responsibility for administration until a state capacity is established.

E. Similarly, state fiscal capabilities and efforts vary greatly and federal policies must be sufficiently flexible to respond to these differing capabilities and efforts.

F. Institutions of postsecondary education, as the points of contact with students and the repositories of faculties, are sometimes in the most effective position to administer federal programs.

G. Institutions of postsecondary education cherish their autonomy from strict regulation, with its inevitable administrative and intellectual constraints as well as dollar costs, and accountability should be carefully balanced against legitimate institutional autonomy.

II. The areas of current national concern in postsecondary education that add up to a powerful, indeed preeminent national interest, and within which the guidelines for a federal-state-institutional partnership apply, are as follows:

A. All citizens who desire the opportunity should have access to postsecondary education appropriate to their interests and capabilities. This is dictated by requirements of social equity and by the needs of a complex industrial society. The national interest thus requires both support for those who could not otherwise have access and information systems which permit informed steps to be taken by those seeking postsecondary education.

B. The scope of postsecondary education is defined in federal legislation as broader than traditional collegiate education in order to assure the range of educational opportunities which citizens may desire.

C. The generation of fundamental knowledge and the conduct of research on major national issues are vital to the national well-being. Thus, the support for basic and applied research in institutions of higher education and assistance with the education of scientists and engineers is in the national interest. Further, the support of national research laboratories and institutions is also in the national interest.

D. The data on highly educated manpower can only be assessed at the national level and targets of special requirements for the nation set at that level.

E. Highly specialized national manpower requirements, which are not being met through the normal output of colleges, universities, and graduate programs, call for special national action.

F. A national data bank on postsecondary education is essential to effective planning and monitoring of the system.

G. The national interest in planning and coordination derives from a concern with the equitable and efficient use of resources for postsecondary education. The national interest is pursued through the provision of data on the postsecondary education system; through manpower information, including projections

of national needs; and through the stimulus provided others for detailed planning and coordination.

H. The protection of the consumers of postsecondary education calls for national policies and practices which assure that institutions provide services commensurate with their stated goals.

I. Innovation in postsecondary education occurs in many forms and places. The national interest calls both for the stimulation of innovation where more than limited institutional purpose or clients will be served and for dissemination of information on innovative experiments which may be of widespread value.

J. Research on postsecondary education which is of rigorous quality, and which addresses either basic or applied gaps in knowledge, is in the national interest.

K. The support of certain categories of institutions (e.g., postsecondary schools for specialized students: the deaf, the blind, racial minorities) serves the national goal of providing equal opportunity to all citizens.

L. The national interest requires the federal government to be involved with postsecondary education for the purpose of achieving at least two broad objectives, neither of which is directly related to postsecondary education:

1) To assure that generally applicable laws are adhered to (e.g., equal employment opportunities for all citizens, adherence to occupational safety and health regulations, etc.), and

2) In fulfillment of obligations to veterans and certain categories of social security recipients.

This summary of the current national concern with postsecondary education indicates, as has been suggested, a preeminent involvement on the part of the federal government. Acknowledging this does not detract from the vital role played by the states and by institutions. It does underscore, however, the importance of federal leadership in effecting a more rational and coherent pattern of federal-state-institutional relationships in postsecondary education in the vein of the guidelines proposed above.

The Office of the Assistant Secretary for Education in the Department of Health, Education and Welfare (HEW) is the repository of that leadership. Strategies for further exploring the federal-state-institutional partnership will need to be developed by that office. It may, for example, be desirable to prepare statements outlining the ways in which the national interest is, in practice, actually worked out as among the federal government and the states and institutions for each of the eleven national interest areas which are identified above. This could lay the groundwork for a national conference on federal-state-institutional relations to be called by the Assistant Secretary for Education. Those attending the conference might include federal executive and congressional officials concerned with postsecondary education, representatives of organizations speaking for the states in matters of postsecondary education, and representatives of educational associations with institutional memberships. The purpose of the conference would be to arrive at a consensus on the guidelines to be used in achieving a federal-state-institutional partnership.

Section IV

Administrative and Fiscal Capabilities of States and Institutions and Implications for the Federal Government Under the Partnership Proposal

Introduction

Federal leadership in the articulation of a partnership with states and institutions derives its legitimacy, as suggested above, from the pre-eminent role of the federal government in postsecondary education. At the same time, partnership implies a readiness to share responsibility and to determine mutually who will assume what obligations. There appears to be some dissonance between the notion of leadership on the one hand and partnership on the other, and indeed there is. This stems from the fact that the federal government is a relatively unified entity, with policy in postsecondary education falling primarily under the purview of the Assistant Secretary for Education. The states, although they statistically have the most substantial involvement, are not one entity but fifty. While the Education Commission for the States (ECS) can speak for the states' point of view, it can hardly speak as a coequal voice with the federal government. Institutions are even more disengaged from unifying authority. The American Council on Education (ACE) is able on occasion to enunciate a view to which most institutions can subscribe, but this is rare. There are too many conflicting and competing demands among the varieties of institutions which comprise the postsecondary scene.

The implication of this situation for the federal government is that it must exercise leadership with attentiveness to its partnership commitment.

James L. Sundquist has called this "a policy of deference" in his study Making Federalism Work. He has commented:

> The ability of state governments to assume their necessary role in the solution of national problems must itself be recognized as a national problem. As in so many other cases, the first step toward a solution must be to remove the issue from the realm of ideological combat; relations among the federal government, the states, and the cities must be discussed in terms of practical administrative problems rather than in the language of constitutional law and power struggles.[1]

Washington must stand ready to acknowledge the legitimate desires and interests of states and institutions to participate in ongoing or new postsecondary initiatives. It must also be prepared to deal with the fact of enormously varying capabilities, both administrative and fiscal, among the states and within institutions. Accommodating to that reality does not come easily. The federal preeminence is new and still not widely acknowledged. The states have long been seen as the central governmental force in higher education; institutions have always cherished independence from governmental control and have tended to resist involvements which may be seen as interfering with their autonomy.

In other areas of national interest, a leading federal role has been accepted since the days of the New Deal. The approximately one thousand federal grant-in-aid programs which operate primarily through the states, but occasionally directly with local governments (and only indirectly, if at all, with postsecondary educational institutions), offer a wealth of experience in federal-state partnership under national leadership. That

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[1]Sundquist, James L., Making Federalism Work, (Washington: Brookings Institution, 1969), p. 269.

there are differing administrative and fiscal capabilities on the part of the states is widely reflected in these grant-in-aid programs.

Federal Responsibility for State and Institutional Administrative Capability to Meet Postsecondary Needs.

It is not possible here to discuss in detail the administrative capabilities of the state or of institutions to play a partnership role in postsecondary education. Indeed, it is probable that adequate information to make judgments as to the situation among the states or among institutions is not available. One relevant study, "The Impact of Federal Programs in State Planning and Coordination,"[2] makes the case that federal planning expectations have, since the time of the Higher Education Facilities Act of 1963, encouraged the states to engage in planning and coordination to an extent which would not otherwise have occurred.

Some indication of the limited knowledge currently available about state administrative capabilities as related to postsecondary education is indicated by research presently in process. The Center for Research and Development in Higher Education at the University of California, Berkeley, has recently launched a three year study of state budgeting in higher education under the direction of Lyman A. Glenny. To quote from a prospectus on the study (June 1974):

> ...The primary emphasis of the study will be on the budget review and analysis process and procedures used by the state agencies; the study will concentrate on the administrative interface between the several state agencies which review and analyze budgets, and between these agencies

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[2]Cox, Lanier, The Impact of Federal Programs in State Planning and Coordination, (Atlanta: Southern Regional Education Board, 1969).

> and the institutions, or systems of institutions, of higher education. The major focus will be on state review of the operating budgets of four-year colleges and universities along with a more limited examination of funding methodologies for two year colleges.
>
> The study will include an examination of the organization and staffing of the state agencies that review higher education budgets as well as an analysis of each stage of the budget formulation process....

The three objectives of the study are summarized as follows:

1. Descriptive and comparative objectives: In 17 states intensive interviews, document review, and questionnaires will form the basis for narrative, graphic, and tabular description and comparison. In 50 states data will be collected by questionnaire only, and the level of detail and number of variables analyzed will be fewer than in the 17-state foundation study.

2. Analytic and theoretical objectives: Budgetary behavior will be categorized and compared; similarities and differences will be analyzed and explained. Behavior related to several technical areas of budgeting will be analyzed in depth. In addition, selected propositions of organization theory will be tested with data collected in 17 states and to a more limited extent in the 50 states. Similarly, a set of related propositions derived from a comprehensive theory of organization decision processes will be tested in the context of state budget formulation.

3. Policy objectives: The conclusions of the analytic portion of the study will be reviewed to develop a set of practical guidelines for budget reform.

The Education Commission of the States (ECS) is presently examining the response of the states to the "1202 Commissions" mandated under the Higher Education Amendments of 1972 for purposes of planning and coordination. The ECS studies will, among other information, provide data on the varieties of state organizational and staffing arrangements being utilized or created in response to the federal legislation.

The National Center for Higher Education Management Systems (NCHEMS) at the Western Institute Commission on Higher Education (WICHE) has three studies on several aspects of statewide planning underway, supported by the National Institute of Education (NIE). These include studies of statewide measures, statewide structures, and statewide planning and analysis. While the focus is primarily on the development of measures and information systems, some data may be anticipated which will be relevant to problems of organization, staffing, and administration.

With respect to institutional capabilities, there has not been an opportunity to survey the literature and to develop information on possibly relevant current research. As might be expected, the large universities, especially those that are public, are relatively strong, administratively. Less capability is to be found in private and smaller institutions. This is suggested in an addendum to an Association of American Universities (AAU) and National Association of State Universities and Land Grant Colleges (NASULGC) study on student aid prepared for the O'Hara Subcommittee Hearings (July 8, 1974) comments as follows on the recommendation to run the Basic Educational Opportunity Grant program through institutions:

> ...the point is too strongly made that the students' only real point of contact with this program is through the institution and its aid officer. I agree that this may be the most meaningful contact for many. It probably has been true during this first confused year of operations. But I doubt that we can continue to make such an exclusive claim.
>
> Obviously more (high school) guidance counselors will know about the program as we move into its second year. It will be publicized more widely. And guidance counselors may, in fact, know more about the program than

> some schools or their representatives.... The point (on having the institutions handle the BEOG program) is most valid for well-staffed colleges and universities, and becomes less true as we move through community colleges to the various vocational schools....[3]

Federal administrative approaches to working in a partnership vein with states and institutions are abetted by at least two pieces of federal legislation. The Intergovernmental Cooperation Act of 1960 laid down guidelines for flexible federal methods of working with states and local governments. As Arthur W. MacMahon has written of this Act:

> The new rules seek to give added leeway for the handling of programs at the state levels. The governor is to be kept fully informed. Money received from the national government need not be held in a special account. The transfer of funds is to be so scheduled that it will minimize the time between the transfer from the United States Treasury and disbursement in the state. Moreover, at the governor's request, the national government may waive the arrangements for the conduct of a program by either a single agency or a multimember board if it is shown that the provision in question prevents an efficient arrangement within the state government. In addition to the objective of more flexibility at the state level, the law directs the President to "establish rules and regulations governing the formulation, evaluation, and review of federal programs and projects having a significant impact on area and community development, including programs providing for federal assistance to the states and localities." The law says further that federal aid for development purposes must be consistent with and help in advancing the objectives of state, regional, and local planning of a comprehensive sort.[4]

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[3]U. S. Congress, House, Hearings Before the Special Subcommittee on Education of the House Committee on Education and Labor. Higher Education, July 8, 1974.

[4]MacMahon, Arthur W., Administering Federalism in a Democracy, (New York: Oxford University Press, 1972), p. 93.

The Intergovernmental Personnel Act of 1970 is another piece of federal legislation which assists in strengthening administrative capabilities in the states, local government, and educational institutions. The objectives of the legislation are to:

1. Develop through intergovernmental cooperation policies and standards for the administration of programs for the improvement of state and local personnel administration and training;

2. Authorize federal agencies to admit state and local government officials and employees, particularly in administrative, professional, and technical occupations, to federal training programs;

3. Authorize federal agencies administering grant-in-aid programs to provide special training for state and local government officials or employees who have responsibilities related to those programs, and to permit state and local governments to use federal funds to establish training courses, or to pay educational expenses for officials and employees who have responsibilities related to grant-in-aid programs;

4. Assist state and local governments through grants to improve their systems of personnel administration;

5. Authorize grants to state and local governments for the development and implementation of approved employee-training plans and for government service fellowships for selected employees for university-level graduate study;

6. Authorize the Civil Service Commission to join with state and local governments, upon request, in cooperative recruitment and examination activities and to provide technical advice and assistance;

7. Give the consent in advance of Congress to interstate compacts designed to improve personnel administration and to provide training for state and local government employees;

8. Authorize the temporary interchange of federal, state and local personnel.[5]

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[5]Leach, Richard H., American Federalism (New York: W. W. Norton and Company, Inc., 1970), pp. 191-192.

The Advisory Commission on Intergovernmental Relations (ACIR) in its report Federalism in 1973: The System Under Stress[6] wrote about this act:

> Crucial to more capable government is better qualified personnel. One intergovernmental attempt to improve the quality of government workers is the Intergovernmental Personnel Act of 1970...which, among other provisions, operates a program of mobility assignments -- temporary intergovernmental transfers to get qualified personnel to the level of government that needs them. In October, the number of mobility assignments passed the 1000 mark. Sixty percent of those assigned came from federal agencies and forty percent, from states, local government and academic institutions.

Incidentally, the ACIR, since its establishment in 1959, has made many proposals for strengthening administrative capabilities in the states. None of its work to date has, however, dealt with issues bearing on postsecondary education in the intergovernmental system.

The opportunities are numerous for federal partnership with the states and institutions to strengthen administration, as suggested by the two federal laws discussed above, as well as by experiences under various grant-in-aid programs. Measures need to be worked out in specific detail in connection with particular programs, of course. As we have seen, this is being done in the student aid area within the Office of Education. From the viewpoint of the Assistant Secretary for Education, as postsecondary proposals are presented for review or are developed within that office, attention should be directed to the question of how to strengthen administrative capabilities among the states and, when appropriate, within institutions.

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[6]The Advisory Commission on Intergovernmental Relations, Federalism in 1973: The System Under Stress (Washington: ACIR, January 1974), M-81, p. 17.

Federal Responsibility for State and Institutional Fiscal Capability to Meet Postsecondary Needs

If the federal government is to pursue a partnership relationship in postsecondary education with the states and with institutions it must, in addition to concerning itself with administrative capabilities, give careful attention to the fiscal capacities of its partners. For policies and approaches which may appear to be feasible during a period of economic strength in the states and institutions can prove unworkable in a time of fiscal stringency. For example, the rather widely favored idea of federal encouragement to the states to assume much of the initiative for aiding private institutions, makes good sense from the viewpoint of educational planning. It is an idea lacking reality, however, if the states are so financially pressed that they find themselves scarcely able to support their own public institutions of higher education adequately. Or, if federal programs which operate directly to institutions place heavy administrative costs on the institutions, these may be fiscally difficult, especially in periods of financial distress. Broad policy goals can thus be thwarted and the partnership idea damaged. A watchful federal eye is required and there are encouraging signs, as noted below, that the federal relationship to the states, in particular, is increasingly concerned with the matter of fiscal capability.

State Fiscal Capability

There are both a general and a specific aspect to this matter. All federal activities carried out cooperatively with the states (not just those related to postsecondary education) need to be concerned with the fiscal health of the states and their comparative capabilities and efforts. At a more specific level there must also be a concern with capabilities and efforts as they bear on postsecondary education. There is evidence of both kinds of concern on the part of the federal government.

The general concern regarding state (and local) fiscal capacity has been reflected in the work of the Advisory Commission on Intergovernmental Relations virtually since its establishment in 1959. ACIR is philosophically inclined toward a somewhat linear view of federalism in which the levels of government are seen as ideally of more or less equal status in the system. Despite this leaning, the annual assessments of state and local financial conditions serve as useful guideposts. In its report issued in January 1974, Federalism in 1973: The System Under Stress[7] the following comment is made:

> ...State fiscal health was good during 1973, although the 1972 surplus had declined somewhat by the third quarter of 1973, according to the Survey of Current Business, states and local governments had an "operating fund" surplus of $3.9 billion in the first quarter, $1.4 billion in the second quarter, and a small deficit in the third. The Survey predicted, however, the states would end the year with a surplus, although smaller than the $9.9 billion of 1972.

The ACIR predicted a reasonably bright outlook for 1974 for several reasons: the assumption by the federal government of program and administration costs of aid to the elderly, blind and disabled; federal

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[7] Ibid., p. 12.

revenue sharing; strengthened state tax systems; and the recent economic boom. However, by late 1974 the favorable prediction is, in fact, being seriously eroded by severe continuing inflation, the deepening recession, and political uncertainties over the future of revenue sharing. The widely recognized fact that the states are extremely vulnerable to changes in general economic conditions (both because of direct revenue losses through declining tax income and losses of federal funds through cutbacks resulting from lower tax receipts) will probably prove 1974 to have been a difficult year for the states.

The ACIR has also conducted studies directed to measuring, in a more sophisticated way, the fiscal capacity and effort of states and local areas. The traditional measures used to determine relative fiscal capacity and tax effort have been estimates of per capita personal income and, for state aid to local governments, value of taxable property. But, as the ACIR has noted, no single indicator serves well. In its report Measuring the Fiscal Capacity and Effort of State and Local Areas[8] it says:

> The reported state-by-state comparisons reaffirm, in updated form and by reference to broader-based measures, some extremely significant findings of the earlier ACIR study: that the relative financing capability of governments in various areas does not always correspond closely to the relative welloffness of people in such areas, as reflected by per capita income figures; and that the relationship of tax collections to the personal income of an area's residents does not necessarily gauge the financing burden borne by those residents.[9]

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[8]The Advisory Commission on Intergovernmental Relations, Measuring the Fiscal Capacity and Effort of State and Local Areas (Washington: ACIR, March 1971).

[9]Ibid., p. VI.

The methods explored in this ACIR study as well as in earlier work, suggest useful new approaches to measuring relative fiscal capacity and effort. Obviously there are important potential guidelines for federal and state fiscal policy in such efforts.

A second approach of the federal government to addressing state fiscal capacity, and more direct than the research and advisory work of the ACIR, is general revenue sharing. In speaking to why the Congress should pass this measure, President Nixon said in his 1971 State of the Union message: "All across America today, states and cities are confronted with a financial crisis... Most are caught between the prospects of bankruptcy on the one hand and adding to an already crushing tax burden on the other."

As passed, the State and Local Fiscal Assistance Act of 1972 (Public Law 95-512) provided for distributing approximately $30.2 billion dollars to state and local governments between January 1, 1972 and December 31, 1976. The purpose of the act was to help insure the financial soundness of these governments. Funds to the states may be used for operating and maintenance and capital expenditures without categorical restrictions. Local governments may use the funds only for eight "priority" categories including public safety, environmental protection, public transportation, health, recreation, libraries, social services for the poor or aged, and financial administration. Education is excluded as a "priority" area. Neither states nor local governments may use general revenue sharing funds to match other federal funds. About one-third of the funds go to the states and two-thirds to local governments. Two formulas determine how

much of the annual total goes to any one state and its local governments. The program is administered by the Office of Revenue Sharing of the Department of the Treasury which issues, periodically, informational bulletins and reports on the uses of the funds.[10]

The Comptroller General of the United States submitted a report on general revenue sharing by the states to the Congress in August 1974.[11] That report indicated that as of March 31, 1973, the principal uses of the funds had been for aid to local schools, payment of interest on debt, retrievement of debt, and capital improvements and equipment at hospitals. The Office of Revenue Sharing's First Actual Use Report indicated that for all units of government expenditures for education, public safety and public transportation accounted for about two-thirds of the funds.[12]

It has not been easy to determine how these funds have been used, in part because of fiscal practices in the states. New York, for example, placed its 1972 funds ($190.4 million) in its general fund which totaled $8.3 billions. Thus it was virtually impossible to trace the revenue sharing funds. Some studies of the uses of general revenue sharing funds suggest a rather heavy investment to meet capital requirements, probably because of the uncertainty as to whether the program will be continued.

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[10] For example, General Revenue Sharing - The First Actual Use Reports, (Office of Revenue Sharing, Department of the Treasury: March 1974).

[11] Revenue Sharing, Its Use By and Impact On State Governments, (Report to the Congress, August 1974), B-146285.

[12] Ibid., p. 4.

This uncertainty is justified. Congressman Wilbur D. Mills, then Chairman of the House Ways and Means Committee, introduced a bill in August 8, 1974, which, while extending revenue sharing for two years, would remove the states from the program. The Congressman's reasoning was as follows:

> ...a total of $4.848 billion had already been received by the state governments through the fiscal year 1974 (to June 30) and..., in general, state governments were now in much better fiscal condition than our cities, counties, town and local governmental units. In this connection, in fiscal year 1973, on the basis of such information as can be obtained, nearly all of the state governments enjoyed budget surpluses in contrast to a series of heavy deficits recently experienced by the federal government and by a number of cities and local governmental units. In fiscal year 1974, it appears that only one state was in a deficit position. This emphasizes the need to shift these general revenue sharing funds to those units of government most critically in need.[13]

With a sharp business decline in 1975, the states are being as adversely affected as they were during the recession of 1970-72.[14] Since volatility is a characteristic of state fiscal conditions, federal policy, if it is constructed to respond to events of the moment, may not serve the objectives of long-range stability.

The specific concern regarding state fiscal capability and effort bears, of course, on postsecondary education. A variety of data have been assembled which provide a view of what the states do. For example, the report of the National Commission on the Financing of Postsecondary Education gives data on the percentage of income received from various

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[13] Press Release, Congressman Wilbur D. Mills (Washington, D. C.: House of Representatives, August 8, 1974).

[14] Setting National Priorities - The 1974 Budget, (Washington, D. C.: The Brookings Institution), p. 269.

sources by students in selected subgroups,[15] on state scholarships and grant programs 1969-70 through 1972-73,[16] and on estimated total financing for postsecondary education by source and major financing mechanisms, 1971-72.[17] The Education Commission of the States has issued a report on state aid to higher education detailing the nature and extent of the programs, on a state-by-state basis.[18] The Chronicle of Higher Education recently carried a report on "How the States Support Colleges." The data include, on a state-by-state ranked basis, 1974-75 appropriations per student, per capita, and per $1,000 of personal income, showing two and ten year changes adjusted for inflation.[19]

In his volume on Statewide Planning in Higher Education,[20] D. Kent Holstead has provided a very substantial amount of comparative state data. In the discussion of socio-economic characteristics among states,

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[15]The National Commission on the Financing of Postsecondary Education, (Washington, D. C.: U. S. Government Printing Office, 1973), Table 3-5, p. 80.

[16]The National Commission on the Financing of Postsecondary Education, (Washington, D. C.: U. S. Government Printing Office, 1973), Table 3-7, p. 96.

[17]The National Commission on the Financing of Postsecondary Education, (Washington, D. C.: U. S. Government Printing Office, 1973), Table 3-20, p. 129.

[18]Higher Education in the States, (Denver: ECS, 1974), Vol. 4, No. 5, p. 141-172.

[19]Chronicle of Higher Education, (October 21, 1974), Vol. IX, No. 5, p. 8.

[20]Holstead, D. Kent, Statewide Planning in Higher Education, (Washington, D. C.: USDHEW; U. S. Government Printing Office, 1974), Chapter II.

consideration is given to the concept of comparability and to procedures for making interstate comparisons. Twenty-six indexes, which provide a basis for comparing state activities and characteristics in relationship to higher education are suggested.

Neil H. Timm has proposed an index to determine each state's ability to support its higher education system.[21] He writes that Drews and Martin have provided a basis for comparisons between states for fiscal capacity and support to higher education.

> One of their indexes of state burden in support of higher education is obtained by comparing per capita state appropriations for higher education with per capita state taxes. The first of these indexes uses personal income in each state as a common base, and the second employs state taxes as the base. As [Drews and Martin] indicate, both approaches have their advantages and disadvantages; both are influenced greatly by state population and industrialization....
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> The index proposed here [takes] into account variation in state population, industrialization, personal income, and state and local income for higher education rather than state appropriations.

What is proposed is "an effort index to measure the degree of sacrifice made in each state by its constituents, on the average, in the funding of state and locally supported higher education."

One concludes from applying the effort index that "states with high burdens are less populated, have lower per capita personal income among those employed and higher tax burdens, pay more per resident for the support of higher education, obtain more money from state and local

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[21] Timm, Neil H., "A New Method of Measuring States' Higher Education Burden," (The Journal of Higher Education, January 1971), Vol. XLII, No. 1, pl. 27.

sources for all state and locally supported higher education from state taxes, and receive more governmental appropriations for state supported higher education." It is also found that states with low burdens are able to obtain funds for state supported higher education from sources other than state taxes. States with low burdens have to make less of an effort to improve their educational systems than do states with high burdens.

From the foregoing discussion, implications for federal-state partnership policy in postsecondary education are fairly clear. It would appear that partnership must be concerned both with the general fiscal health of the states and with their comparative efforts and burdens in higher education. Federal policy and practice in recent years have led to improved knowledge and monitoring of state fiscal conditions. They have also led to general financial assistance through revenue sharing. The immediate federal challenges are to maintain and improve the monitoring of state fiscal conditions. They have also led to general financial assistance through revenue sharing. The immediate federal challenges are to maintain and improve the monitoring process and to avoid modifications in federal sharing, including general revenue sharing, which are based on short-term evidence. State fiscal health can best be assured if these challenges are addressed.

The specific issue of comparative state burden and effort in higher education is receiving more sophisticated attention in recent years, partly under federal aegis. There is need to pursue refining the indexes

relevant to these calculations. Partnership suggests that federal resources should be applied in a manner designed to meet national objectives within the context of skillfully analyzed state capabilities and efforts.

Institutional Fiscal Capability

Early in the work of the Carnegie Commission on Higher Education, two studies were released which dealt with the financing of higher education. William G. Bowen's The Economics of the Major Private Universities[22] and Howard R. Bowen's The Finance of Higher Education.[23] The former forecast, on the basis of empirical evidence, severe problems in the form of mounting deficits for private universities. The latter was a scholarly account of the fiscal resources of higher education. With the spreading financial plight of higher education, the Carnegie Commission in 1970, authorized a further study, Earl F. Cheit's The New Depression in Higher Education: A Study of Financial Conditions of 41 Colleges and Universities.[24] This report indicated that a very substantial number of the institutions studied were in a financial crisis or heading toward one. Another study, released at about the same time, generally confirmed the Cheit findings for liberal arts colleges.[25] Further studies were made by Cheit, Jellema,

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[22]Bowen, William G., The Economics of the Major Private Universities, (Berkeley: Carnegie Commission on Higher Education, 1967).

[23]Bowen, Howard R., The Finance of Higher Education, (Berkeley: Carnegie Commission on Higher Education, 1968).

[24]Cheit, Earl F., New Depression in Higher Education: A Study of Financial Conditions of 41 Colleges and Universities, (New York: McGraw Hill, 1971).

[25]Jellema, William W., The Red and the Black, (Washington, D. C.: Association of American Colleges, 1971).

and a number of other scholars in the immediately succeeding years. These, while suggesting that major efforts on the part of institutions to cut costs were producing a temporary "steady state", also indicated that the fiscal outlook for much of higher education was not promising. Rapidly rising costs associated with inflationary pressures, together with the difficulty of increasing productivity, were at the root of the financial crisis.

The Higher Education Amendments of 1972 called for a major study of the financing of postsecondary education. The resulting report of the study group, The National Commission on the Financing of Postsecondary Education, was issued at the end of 1973.[26] It dealt with four general areas: 1) costs and impacts of current governmental aid programs to postsecondary education, 2) costs and impacts of alternative financing patterns in relation to national objectives for postsecondary education, 3) the nature and causes of financial distress in postsecondary educational institutions, and 4) the formulation of interim national uniform standards for determining the annual per-student costs of providing postsecondary education.

With respect to the nature and cause of financial distress, the Commission drew the following conclusions:

1. There is no generally accepted definition of financial distress used in the postsecondary education enterprise. For the purposes of the Commission's analysis, however, "financial distress" would exist in the post-

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[26] Financing Postsecondary Education in the United States, (Washington, D. C.: National Commission on Financing of Postsecondary Education, U. S. Government Printing Office, December 1973).

secondary education enterprise or in one of its major sectors when the lack of money and other resources prevented the desired degree of achievement of national postsecondary objectives.

2. No generally-accepted standards or uniform criteria are available to ascertain the existence or extent of financial distress among institutions of postsecondary education.

3. The Commission concludes that an evaluation of financial distress in postsecondary education should incorporate at least three sets of indicators: factors concerning institutional financial status, factors related to the financing of the total postsecondary education enterprise, and factors external to postsecondary education.

4. Based on the analysis of selected statistical evidence, the financial status of the postsecondary education enterprise is not substantially jeopardizing the achievement of postsecondary education objectives. Some postsecondary institutions, however, are already in financial distress, and, if present patterns and conditions of financing continue, there is a high probability that such distress will occur in several sectors of postsecondary education as well.[27]

The Commission's recommendations regarding financial distress were as follows:

1. National standard indicators should be developed to determine the relative financial status of the different types of postsecondary educational institutions. The Commission report suggests a number of such indicators for consideration.

2. When there are substantial shifts in public financing of specific programs, they should be effected over a reasonable period of time. Appropriating federal funds for all education programs one year in advance of spending would be especially helpful.

3. The programmatic interrelationships among research programs, graduate education, and undergraduate education should be studied so as to better understand the induced financial effects of individual program financing decisions on an institution.

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[27] Ibid., p. 224-225.

4. Grants and contracts with institutions of post-secondary education either should include long-term programmatic support that recognizes the interrelationships among the various functions of the institution or should cover the full costs associated with purchasing the service as if it were provided separately from other functions within the institution.[28]

The fact of the National Commission's Report, and its particular attention to financial distress, signalled that both the Congress and the President were concerned with the matter of system as well as institutional fiscal capability in postsecondary education. The government continues to support research and experimentation in the development of national uniform standards for costing postsecondary education.

The issue of fiscal capability is now receiving a good deal of federal attention. It is also being monitored, with particular reference to the private sector, in a number of states. For instance, the Deputy Commissioner for Higher and Professional Education in New York State indicated recently that a major portion of his time is devoted to the financial and related problems of the private sector. Thirty-nine states have authorized aid to private institutions in some form. As Richard M. Millard has noted:

> The forms of financial support for private higher education run the gamut from contracts for special services to general student aid available to students at both public and private institutions. By far the most important from the standpoint of the amounts of money involved are student aid and direct institutional aid. For the academic year 1973-1974, the states appropriated for various forms of student aid, including tuition equalization grants, funds in excess of $387 million, a major portion of which went

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[28] Ibid., pp. 225-226.

to students at private institutions. In addition, states appropriated in excess of $102 million for direct institutional aid.[29]

One problem of national significance which has only been addressed obliquely by the federal government, although somewhat more directly by some states, is the financial plight of the leading research universities. Under the Higher Education Amendments of 1972, limited institutional aid could become available after certain levels of funding had been achieved in the various student aid programs. Given the present levels of funding for student aid programs, the prospects for such institutional aid are not bright.

It is possible that the national interest in basic research, and in graduate education and, therefore, in the well-being of the 75 to 100 leading universities of the country, is such as to merit special financial support to these institutions. The federal government assists other special categories of institutions of higher learning in the national interest (e.g., the military service academies; Howard University; colleges and technical institutes for the physically handicapped, etc.). It would appear that the leading universities which serve the entire society, could fall within this framework of assistance.

The principal argument against such federal aid is that the designation of a particular group of institutions as "leading research universities" would be discriminatory against those institutions which are not included and which may be close, in quality and other measures, to the designated

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[29] Millard, Richard M., "State Aid to Non-Public Higher Education," Higher Education in the States, (Denver: Education Commission of the States, 1974), Vol. 4, No. 5, p. 150.

group. It is also argued that such federal action could enhance elitism or meritocracy in higher education at a time when the system is becoming more open, flexible, and egalitarian.

On the other hand, in addition to the great importance of the major research universities to the nation, there is need for more effective application of public resources in order to reduce proliferation and to obtain the best return on investments. New York, through its Board of Regents, is now reviewing all doctoral programs in the state's public and private universities and is recommending phasing out programs which do not meet designated standards. Assuming that the federal government could set reasonable criteria for designating selected institutions as "leading research universities", it is probable that such a move would not only assure continued quality performance in both research and graduate and professional education, but would act as a brake on the excessive aspirations of other institutions.

Whether it would be possible to address this aspect of the national interest within the framework of the proposed federal-state-institutional partnership is far from certain. Given the concern of a number of states with the fiscal well-being of their universities and the potentiality of federal funds to assist at least some of these institutions, it is conceivable that agreement could be reached. This might particularly be the case if those aspiring institutions (and their state supporters) which do not meet the criteria for designation as "leading research universities" could be assisted to define other significant roles for themselves.

Section V

Research in Progress and Suggested Research of Relevance to Federal-State-Institutional Relations

The following discussion of research in progress and suggested research focuses on postsecondary matters deemed of interest to the responsibilities of the Assistant Secretary for Education. A considerable amount of related research which addresses the interests of other levels in the federal process (e.g., the dozen or more studies being sponsored by the Higher Education Division in the U. S. Office of Education for planning and evaluation purposes) is under way in postsecondary education. This is not, for the most part, noted here. Neither has it been possible to explore in detail the specific research suggestions or relevant research currently under way. Consequently, the following proposals should be viewed as tentative, subject to further examination.

1. Effective approaches on the federal level to encourage state performance in line with national objectives.

Robert W. Hartman, Senior Fellow in the Economics Study Department of the Brookings Institution, is currently studying "Federal Incentives for State Reform in Financing Higher Education." The central theme of this research is how to structure federal programs in higher education to produce a coordinated state and federal approach to the principal objectives of government. The emphasis of the study is on alternative

mechanisms whereby the federal government can supply incentives encouraging states to change their pricing and support programs in a manner consistent with these objectives.[1]

Margaret Gordon of the Carnegie Council is studying the issue of low or no tuition during the first two years of postsecondary education. An aspect of her study deals with federal actions which affect state tuition policies.

Further insight into effective approaches which may be used by the federal government would be uncovered through a review of a number of the ongoing grant-in-aid programs which operate through the states to achieve national objectives. A study of grant-in-aid programs should consider not only the varieties of fiscal arrangements or inducements used by the federal government, but also federal efforts to encourage state planning and strengthen state administrative capabilities.

2. Effective approaches on the federal level to encourage institutional performance in line with national objectives.

Earlier studies by Kidd,[2] and Orlans,[3] dealt primarily with the impact of federal research on institutions of higher education. With the rise of national interest in postsecondary education, the experience of the federal

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[1]As suggestive of the Hartman approach see, for example, his paper "The Impact of Federal and State Policies on Prices and Efficiency in Higher Education," prepared for the Committee for Economic Development, revised October 1973, The Brookings Institution, Washington, D. C.

[2]Kidd, Charles, American Universities and Federal Research, (Cambridge: Belknap Press, 1959).

[3]Orlans, Harold, The Effect of Federal Programs on Higher Education: A Study of 36 Universities and Colleges, (Washington, D. C.: The Brookings Institution, 1962).

government in seeking to achieve broad public objectives in institutions, not only with respect to research but also a variety of other goals (e.g., fair employment practices, equal educational opportunity, health and safety standards), needs to be examined for its instructiveness to future policy-making.

3. Effective approaches on a state level to encourage institutional performance in line with state objectives.

Institutional responsiveness to selected specific state objectives in postsecondary education should be studied. The patterns of inducement used by states and the reactions of institutions would supply another piece in the network of evidence from experience which can be useful in constructing a future federal-state-institutional partnership.

4. Impact on state planning and coordination of programs of direct federal-institutional and federal-student relationships.

With the growing emphasis on state planning and coordination (abetted by sections 1202 and 1203 of the Higher Education Amendments of 1972) questions are arising about the consequences, for such planning and coordination, of direct federal-institutional and federal-student programs.[4] One of the issues here is the states' "need to know" for purposes of planning and coordination. Another may be the states' need to control or advise in order to avoid distortion of statewide objectives.

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[4]For example, numerous programs of the National Science Foundation, National Institutes of Health, Department of Defense, and many other federal agencies, all involving grants or contracts to institutions; and the Office of Education administered Basic Education Opportunity grants going directly to students.

5. The private sector and federal-state responsibilities.

As previously noted, Richard Millard of the Education Commission of the States, has reported on state programs providing assistance to private higher education. Thus, basic factual data are available from the current state perspective. Similarly current federal data on programs aiding institutions, public and private, are available. Further, considerable information of recent origin is on hand with respect to private institutional fiscal conditions. The Brookings Institution is presently beginning to examine the nature of the federal interest in a dual system of public-private higher education.

The respective responsibilities of the federal government and the states in aiding the private sector is in the process of being formulated. A good deal of federal interest exists in encouraging the states to aid the private sector within their respective domains.

Two types of studies appear to be indicated. One would be concerned with methods which the federal government might employ to encourage state aid to the private sector (see 1 above). The second would examine the experience of state programs which have aid to the private sector as an objective (e.g., the New York State Tuition Assistance Program) in order to determine how well that objective is being met. Instructive lessons for federal policy vis-a-vis the states could presumably emerge from the findings.

6. The respective responsibilities of the federal government and the states to determine institutional eligibility to receive public funds.

Issues of accreditation and eligibility as well as consumer protection are involved here. The recently completed (draft) report on "Private Accrediting and Public Funding" by Harold Orlans, done under the auspices of the Brookings Institution and the National Academy of Public Administration, is probably the definitive work on accreditation.

While it is not possible to suggest the precise directions of the next investigations, it is clear that delineation of the issues, especially as they bear on consumer protectionism, is needed. In addition, steps need to be taken to clarify the respective responsibilities of the federal government and the states in this area.

7. Federal-state responsibilities for graduate and professional education and research.

The Snyder study, currently under way, will deal with federal policies for graduate education and research.[5] The extent to which states have, or may assume in the future, responsibilities parallel to those of the federal government in these areas, needs to be studied. In addition, attention needs to be given to how federal and state policies and programs can be rationalized to avoid duplication and to produce complementary results.

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[5]Snyder, Robert, Federal Policy and Graduate Education, an inhouse study of the Office of the Deputy Assistant Secretary for Education (Policy Development), in process.

8. Federal regionalism and its impact on the federal-state-institutional partnership concept.

The regional approaches of the Department of Health, Education and Welfare and the Office of Education need to be examined in the context of the partnership concept to determine, in connection with specific programs, what the utilities are for retaining regional administrative arrangements or of modifying them.

8. Administrative practices and capabilities in various categories of postsecondary educational institutions.

While a good deal of information regarding administrative practices and capabilities in the states (e.g., Lyman Glenny's study of state budgeting being done through the Center for Research and Development in Higher Education at Berkeley) is being gathered, there has been relatively little attention given to categories of key administrative personnel and their practices in various types of educational institutions. Such studies would be useful in assessing institutional capabilities to address federal and state administrative requirements for governmentally funded or mandated programs and might suggest means of strengthening institutional performance.

APPENDIX A

PERSONS AND INSTITUTIONS CONSULTED

PERSONS AND INSTITUTIONS CONSULTED
JULY-SEPTEMBER 1974

Andringa, Robert, Minority Staff Director, House Education and Labor Committee.

Alden, John, Senior Policy Analyst, Assistant Secretary of Education.

Arbogast, Katherine, Policy Analyst, Assistant Secretary of Education.

Austin, Phillip, Deputy Assistant Secretary of Education for Policy Development (Acting).

Berdahl, Robert, Senior Fellow, Carnegie Council on Policy Studies.

Berke, Joel, Director, Educational Finance and Governance Center, Syracuse University Research Corporation.

Boyd, Joseph, Executive Director, Illinois State Scholarship Committee.

Carnevale, Anthony, Policy Analyst, Assistant Secretary of Education.

Cheit, Earl, Associate Director, Carnegie Council on Policy Studies.

Carrallo, Salvadore, Director, Post-Secondary and International Program Division, Office of Education.

Council of State Governments

Crowley, John, Associate Executive Secretary, American Association of Universities.

Fox, James, Policy Analyst, Assistant Secretary of Education.

Glenny, Lyman, Associate Director, Center for University of California at Berkeley.

Gordon, Margaret, Associate Director, Carnegie Council on Policy Studies.

Hartman, Robert, Senior Fellow, Economic Studies Department Brookings Institution.

Harrison, James, Director, House Special Subcommittee on Education.

Hill, Warren, Director, Kellogg Project -- Inservice Education, Education Commission of the States.

Holmstrom, Engin, Policy Associate, American Council on Education.

Hughes, John, Director of Policy Analysis Service, American Council on Education.

de Janosi, Peter, Officer in Charge, Higher Education and Research, Ford Foundation.

Khan, Abdul, Senior Policy Analyst, Assistant Secretary of Education.

Kramer, Martin, Acting Assistant Secretary for Planning and Evaluation, Education Department of Health, Education and Welfare.

Lawrence, Ben, Director of the National Center for Higher Education Management Systems.

Lucas, Trudy, Program Manager, Division of Advanced Productivity, Research and Technology: National Science Foundation.

Malvik, Ralph, Legislative Analyst, Office of Management and Budget.

Millard, Richard, Director, Higher Education Service, Education Commission of the States.

Millett, John, Vice-President and Director of the Management Division, Academy for Educational Development.

Mogin, Bertrand, Evaluation Coordinator for the Office of Planning, Budgeting, and Evaluation, Office of Education.

McGinness, Aims, Assistant to the Chancellor, University of Maine System.

National League of Cities.

Neudling, Chester, Senior Research Associate, National Institute of Education.

Olson, Layton, Project Director, National Student Educational Fund.

Phillips, John, Associate Commissioner for Students Assistance, Office of Education.

Reisner, Elizabeth, Policy Analyst, Assistant Secretary of Education.

Shannon, John, Assistant Director, National Advisory Commission on Intergovernmental Relations.

Shapiro, Paul, Policy Analyst, Assistant Secretary of Education.

Snyder, Robert, Policy Analyst, Assistant Secretary of Education.

Steiner, Gilbert, Director of Governmental Studies Program, Brookings Institution.

Van Alstyne, Carol, Chief Economist, American Council on Education.

Wexler, Steven, Counsel, Senate Subcommittee on Education.

APPENDIX B

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